AMERICAN VANADIUM CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

AS AT AND FOR THE THREE MONTHS ENDED MARCH 31, 2013

Management's Comments on Unaudited Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of American Vanadium Corp. (the "Company") as at and for the three months ended March 31, 2013 have been prepared by management and approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

AMERICAN VANADIUM CORP.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS (UNAUDITED)
IN CANADIAN DOLLARS

	March 31	December 31
	2013	2012
	$	$
		Restated (Note 3)
ASSETS		
Current assets		
Cash	**48,555**	1,716,318
Restricted cash (Note 13)	**920,000**	-
Amounts receivable	**52,216**	42,328
Income tax receivable	**104,199**	102,035
Prepaid expenses	**86,968**	89,416
Deferred financing costs (Note 6)	**750**	-
Deferred engineering management expense and deposit (Note 5)	**568,895**	557,080
Total current assets	**1,781,583**	2,507,177
Equipment (Note 4)	**67,150**	74,231
Reclamation deposit	**148,393**	145,311
Mineral properties (Note 5)	**2,059,591**	1,922,167
Total assets	**4,056,717**	4,648,886
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**1,137,924**	1,271,194
Subscription receipts (Note 13)	**920,000**	-
Total liabilities	**2,057,924**	1,271,194
Shareholders' equity		
Share capital (Note 6)	**17,514,613**	17,461,187
Equity reserves	**2,872,029**	2,876,809
Deficit	**(18,387,849)**	(16,960,304)
Total shareholders' equity	**1,998,793**	3,377,692
Total liabilities and shareholders' equity	**4,056,717**	4,648,886

Basis of presentation and continuance of operations (Note 2)

Commitments and contingencies (Note 12)

Events after the reporting period (Note 13)

On behalf of the Board:

Signed: "William Radvak" Director

Signed: "Brian E. Bayley" Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AMERICAN VANADIUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
IN CANADIAN DOLLARS

	Three Months Ended March 31 2013	Three Months Ended March 31 2012
	$	$
		Restated (Note 3)
Exploration and evaluation expenses (Note 5)	**(920,809)**	(1,397,016)
General and administrative expenses:		
Salaries and benefits (Note 7)	**194,738**	219,768
Consulting (Note 7)	**111,152**	122,775
Stock-based compensation	**14,095**	95,088
Travel	**31,865**	70,526
Investor relations and shareholder information	**42,287**	54,524
Office facilities and administrative services (Note 7)	**42,852**	47,640
Transfer agent, listing and filing fees	**25,109**	26,939
Office and sundry	**28,881**	21,381
Audit and legal	**34,198**	9,997
Amortization	**7,081**	4,585
Total general and administrative expenses	**(532,258)**	(673,223)
Foreign exchange gain (loss)	**24,905**	(36,008)
Interest income	**617**	4,228
Net comprehensive loss	**(1,427,545)**	(2,102,019)
Basic and diluted loss per share (Note 11)	**(0.04)**	(0.08)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

IN CANADIAN DOLLARS

	Share Capital	Equity Reserves	Deficit	Total
	$	$	$	$
Balance, January 1, 2012 (Note 3)	14,058,111	2,339,450	(9,688,176)	6,709,385
Stock-based compensation	-	95,088	-	95,088
Net comprehensive loss for the period	-	-	(2,102,019)	(2,102,019)
Balance, March 31, 2012 (Note 3)	14,058,111	2,434,538	(11,790,195)	4,702,454
Private placements, net of share issuance costs	3,211,082	254,573	-	3,465,655
Exercise of stock options	121,994	(51,994)	-	70,000
Performance shares (Note 6)	70,000	-	-	70,000
Stock-based compensation	-	239,692	-	239,692
Net comprehensive loss for the period	-	-	(5,170,109)	(5,170,109)
Balance, December 31, 2012 (Note 3)	17,461,187	2,876,809	(16,960,304)	3,377,692
Share issue costs	(2,725)	-	-	(2,725)
Exercise of stock options	56,151	(18,875)	-	37,276
Stock-based compensation	-	14,095	-	14,095
Net comprehensive loss for the period	-	-	(1,427,545)	(1,427,545)
Balance, March 31, 2013	**17,514,613**	**2,872,029**	**(18,387,849)**	**1,998,793**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AMERICAN VANADIUM CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
IN CANADIAN DOLLARS

	Three Months Ended March 31	Three Months Ended March 31
	2013	2012
	$	$
		Restated (Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net comprehensive loss	**(1,427,545)**	(2,102,019)
Items not involving cash:		
Stock-based compensation	**14,095**	95,088
Amortization	**7,081**	4,585
Unrealized foreign exchange (gain) loss	**(5,246)**	2,499
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	**(133,270)**	(306,896)
Deferred engineering management expense and deposit	**(11,815)**	520,854
Amounts receivable	**(9,888)**	94,732
Prepaid expenses	**2,448**	(2,587)
Income tax receivable	**-**	165,669
Non-operating (income) expenses:		
Interest income	**(617)**	(4,228)
Net cash used in operating activities	**(1,564,757)**	(1,532,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property acquisition costs	**(137,424)**	(132,534)
Interest income	**617**	4,228
Net cash used in by investing activities	**(136,807)**	(128,306)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of issuance costs	**34,551**	-
Deferred financing costs	**(750)**	-
Net cash provided by financing activities	**33,801**	-
Change in cash for the period	**(1,667,763)**	(1,660,609)
Cash, beginning of period	**1,716,318**	4,245,438
Cash, end of period	**48,555**	2,584,829

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS

American Vanadium Corp. (the "Company"), incorporated under the *Canada Business Corporations Act*, is engaged in the acquisition and exploration of mineral properties, with a strategic focus on vanadium properties in the State of Nevada. The Company has completed a feasibility study on its Gibellini Property and, pending factors such as receiving regulatory approvals, obtaining financing and entering into profitable supply arrangements, the Company plans to develop and/or operate a mine in the future. During the year ended December 31, 2012, the Company submitted a plan of operations to a regulatory agency as a pre-requisite to obtaining an environmental permit to operate a mine on the Gibellini Property.

The Company is also seeking to distribute vanadium products in the renewable energy and other high-value sectors and has entered into a master sales agreement with Gildemeister Energy Solutions, Cellstrom GmbH ("Gildemeister") of Germany, whereby the Company will market and sell Gildemeister's CellCube vanadium redox flow batteries in North America. The distribution activities could be operated independently of operating a mine on the Gibellini Property, while availing of synergies from having an internal supply of vanadium.

The address of the Company's principal place of business is Suite #910, 800 W. Pender Street, Vancouver, British Columbia, Canada, and its shares trade on the TSX-Venture Exchange (the "Exchange") under the symbol "AVC" and are quoted on the OTCQX under the symbol "AVCVF".

2. BASIS OF PRESENTATION AND CONTINUANCE OF OPERATIONS

Statement of compliance

These unaudited condensed consolidated interim financial statements, including comparative periods, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". These financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012.

Significant accounting policies and the applicable basis of measurement used in the preparation of these unaudited condensed consolidated interim financial statements are described in Note 3.

These condensed consolidated interim financial statements were authorized by the Board of Directors on May 28, 2013.

Going concern

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue on a going concern basis. The Company has generally incurred net losses and negative operating cash flows since its inception, and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to develop profitable operations or continue to raise additional funds, in which case the Company may be unable to meet its financial obligations. Should the Company be unable to generate funds from its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The Company's ability to raise additional funds is dependent on favourable conditions in equity and alternative investment markets, which are volatile and subject to significant uncertainty. The Company will continue to identify alternative sources of financing, but anticipates reliance on equity markets in the near term.

As at March 31, 2013, the Company had a working capital deficit of $2,057,924 and had $1,998,793 in shareholders' equity.

3. SIGNIFICANT ACCOUNTING POLICIES

Voluntary change in accounting policy

The Company is party to a long-term engineering, procurement and construction management contract. Payments made pursuant to the contract are initially recorded as a deferred expense asset, which is then amortized on a percentage-of-completion basis in accordance with IAS 11 "Construction Contracts". As at and prior to December 31, 2012, the Company measured percentage-of-completion on the basis of hours spent on the related project by the contractor as a proportion of total expected hours required. Commencing January 1, 2013, the Company now measures percentage-of-completion on the basis of elapsed time since the inception of the contract as a proportion of the estimated duration of the related work. The change in the basis of measurement of percentage-of-completion was made in order to more accurately recognize the Company's contract expense in a reported period.

The change in measurement basis for percentage-of-completion has been applied retrospectively to all periods reported in these condensed consolidated interim financial statements. Although the total expense pursuant to the contract does not change, the timing of recognition of this expense over the life of the contract has resulted in comparative balances being different than those that were previously reported.

The effects of the change in the measurement basis on prior period balances in the balance sheet are as follows:

	Deferred Engineering Management Expense and Deposit	Deficit
	$	$
January 1, 2012, as previously reported	1,079,390	(9,688,176)
Impact of change in policy	-	-
January 1, 2012, restated	**1,079,390**	**(9,688,176)**

	Deferred Engineering Management Expense and Deposit	Deficit
	$	$
December 31, 2012, as previously reported	1,776,212	(15,741,172)
Impact of change in policy	(1,219,132)	(1,219,132)
December 31, 2012, restated	**557,080**	**(16,960,304)**

The effects of the change in the measurement basis on prior period balances in the statement of comprehensive loss are as follows:

	Exploration and Evaluation Expenses	Foreign Exchange Loss	Net Comprehensive Loss	Basic and Diluted Loss per Share
	$	$	$	$
For the three months ended March 31, 2012, as previously reported	(507,985)	(45,383)	(1,222,363)	(0.04)
Impact of change in policy	(889,031)	9,375	(879,656)	(0.04)
For the three months ended March 31, 2012, restated	**(1,397,016)**	**(36,008)**	**(2,102,019)**	**(0.08)**

	Exploration and Evaluation Expenses	Foreign Exchange Loss	Net Comprehensive Loss	Basic and Diluted Loss per Share
	$	$	$	$
For the year ended December 31, 2012, as previously reported	(3,401,386)	(22,470)	(6,052,996)	(0.21)
Impact of change in policy	(1,227,731)	8,599	(1,219,132)	(0.04)
For the year ended December 31, 2012, restated	**(4,629,117)**	**(13,871)**	**(7,272,128)**	**(0.25)**

Notwithstanding the previously discussed change to accounting policies, these unaudited condensed consolidated interim financial statements have been prepared according to the same accounting policies and are subject to the same areas of judgement, measurement estimates and uncertainties as those disclosed in Note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2012.

Basis of consolidation

These condensed consolidated interim financial statements include the assets, liabilities, income and expenses of the Company and its wholly-owned U.S. subsidiary, American Vanadium US Inc. All intercompany transactions and balances have been eliminated on consolidation. Unless otherwise indicated, all amounts are reported in Canadian dollars, which is the functional currency of the Company and American Vanadium US Inc.

Basis of measurement

The balances in these consolidated financial statements have been measured on an historical cost basis, except for cash and short-term investments which are measured at fair value.

4. EQUIPMENT

Changes to the Company's equipment balances are as follows:

	Field Equipment	Office Equipment	Vehicles	Total
	$	$	$	$
Cost				
Balance, December 31, 2012	41,655	46,787	41,118	129,560
Balance, March 31, 2013	**41,655**	**46,787**	**41,118**	**129,560**
Accumulated amortization				
Balance, December 31, 2012	29,709	10,675	14,945	55,329
Additions	2,107	2,809	2,165	7,081
Balance, March 31, 2013	**31,816**	**13,484**	**17,110**	**62,410**
Carrying value				
December 31, 2012	11,946	36,112	26,173	74,231
March 31, 2013	**9,839**	**33,303**	**24,008**	**67,150**

5. MINERAL PROPERTIES

Acquisition costs

As at March 31, 2013 and prior periods, the carrying values of mineral properties were comprised solely of capitalized acquisition costs for mineral rights. Changes to these carrying values are as follows:

	Gibellini	Del Rio	Hot Creek	Total
	$	$	$	$
As at December 31, 2012	1,873,313	39,683	9,171	1,922,167
Additions	137,424	-	-	137,424
As at March 31, 2013	**2,010,737**	**39,683**	**9,171**	**2,059,591**

The Company has capitalized, rather than expensed, property acquisition costs on the basis that holding title to the related properties allows the Company to explore and develop these properties in the future. Acquiring and maintaining title to mineral properties involves certain inherent risks due to difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Exploration and evaluation expenses

During the three months ended March 31, 2013, exploration and evaluation expenses incurred on the Company's mineral properties were as follows:

	Gibellini	Del Rio	Hot Creek	Total
	$	$	$	$
Engineering, procurement and construction management	326,053	-	-	326,053
Metallurgy	258,365	-	-	258,365
Environmental permitting	160,403	-	-	160,403
General	64,176	-	-	64,176
Power	51,235	-	-	51,235
Engineering	30,665	-	-	30,665
Geotechnical	29,888	-	-	29,888
Feasibility	24	-	-	24
	920,809	**-**	**-**	**920,809**

During the three months ended March 31, 2012, exploration and evaluation expenses incurred on the Company's mineral properties were as follows:

	Gibellini	Del Rio	Hot Creek	Total
	$	$	$	$
Engineering, procurement and construction management	961,920	-	-	961,920
Metallurgy	123,344	-	-	123,344
Environmental permitting	101,307	-	-	101,307
Geotechnical	99,792	-	-	99,792
General	72,353	-	-	72,353
Engineering	26,863	-	-	26,863
Feasibility	6,197	-	-	6,197
Power	2,398	-	-	2,398
Property maintenance	2,245	-	-	2,245
Water	597	-	-	597
	1,397,016	**-**	**-**	**1,397,016**

Summary of properties

a) Gibellini Property, Nevada, U.S.

The Company is party to a Mineral Lease Agreement to acquire 40 unpatented lode mining claims, paying US$60,000 upon the execution of the agreement. Pursuant to the terms of the agreement, the Company is required to pay a production royalty of 2.5% of the net smelter returns ("NSR") of all mineral substances produced from the claims, to a maximum of US$3,000,000, at which point the production royalty decreases to 2.0%. The Company is also required to pay US$30,000, quarterly, and such payments are credited against any future production royalties payable. As of March 31, 2013, the Company has paid a total of US$660,000 for these advance royalty payments, including US$30,000 paid during the three months ended March 31, 2013.

The Company is party to a Mineral Lease Agreement to acquire 12 unpatented lode mining claims, paying US$9,000 upon the execution of the agreement. Pursuant to the terms of the agreement the Company is required to pay an initial production royalty payment of US$30,000 within 60 days of production from the claims and a production royalty of 3.0% of NSR of all mineral substances produced from the claims. Also, the

Company must pay an escalating series of annual payments, which will be credited against any future production royalties payable. As of March 31, 2013, the Company has paid a total of US$119,000 for these advance royalty payments; remaining payments are US$24,000, annually. Further, the Company has the option to purchase these claims for a total purchase price of US$1,000,000.

In 2011, the Company acquired 17 unpatented lode mining claims for US$50,000 – in addition to US$70,000 in previous payments – and the issuance of 25,000 of its common shares valued at $33,750.

In 2011, the Company obtained various rights to water required for production from the Gibellini Property. Consideration for these rights included a cash payment of US$295,000 and 50,000 common shares in the Company valued at $67,500. The Company is required to make annual rental payments of US$225,000, which may be adjusted for the Consumer Price Index. During the three months ended March 31, 2013, the Company paid US$106,090 of such rental payments.

b) Del Rio Property, Nevada, U.S.

As at March 31, 2013, the Company has 120 claims acquired through the staking process.

c) Hot Creek Property, Nevada, U.S.

As at March 31, 2013, the Company has 18 claims acquired through the staking process.

Engineering, procurement and construction management

In 2011, the Company entered into an agreement with an independent contractor who will manage various phases of the development of a mine on the Gibellini Property. These phases include basic and detailed engineering, asset and service procurement, and mine construction. As at March 31, 2013, the contractor continues to complete the basic engineering phase.

On the commencement of the basic engineering phase, the Company paid a US$559,936 deposit, and additional monthly installments totalling US$2,799,679 are required throughout the phase. Payments made or accrued are recorded on the consolidated balance sheet as a deferred engineering management expense, which is then recognized as an expense on a percentage-of-completion basis over the duration of the anticipated service.

Changes to the deferred engineering management expense and deposit balance are as follows:

	Amount
	$
Balance, December 31, 2012	557,080
Monthly installments paid or accrued	226,913
Expense recognized for percentage-of-completion achievement	(226,913)
Foreign exchange gain	11,815
Balance, March 31, 2013	**568,895**

In addition to the original scope of the engineering, procurement and construction management agreement, the Company has engaged the contractor to design a borrow pit for the Gibellini Property and an electrolyte process, for US$194,850 and US$714,000, respectively. For the three months ended March 31, 2013, the Company incurred related charges of $99,140 that is included in the engineering, procurement and construction management portion of exploration and evaluation expense, and $215,187 that is included in the metallurgical portion.

6. SHAREHOLDERS' EQUITY

Share capital

Authorized

Unlimited number of common voting shares with no par value.

Issued and outstanding

	Number of Common Shares	Amount
		$
Outstanding, January 1, 2012	27,443,397	14,058,111
Issued through private placements, net of share issuance costs	5,780,853	3,211,082
Issued on exercise of stock options	200,000	121,994
Issued on employment signing bonus	100,000	70,000
Outstanding, December 31, 2012	33,524,250	17,461,187
Issued on exercise of stock options	53,250	56,151
Share issue costs	-	(2,725)
Outstanding, March 31, 2013	**33,577,500**	**17,514,613**

On September 12, 2012, the Company completed a non-brokered private placement of 3,225,854 common share units at a price of $0.62 per unit for gross proceeds of $2,000,030. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase an additional common share at a price of $1.00 until March 12, 2014. The value of these units has been bifurcated between common shares at a value of $0.55 per share and warrants at a value of $0.07 per one-half warrant. Transaction costs for the private placement, which include cash commissions, and legal and other fees, totalled $86,985.

Between December 19, 2012 and December 21, 2012, the Company completed non-brokered private placements of 2,554,999 common share units at a price of $0.65 per unit for gross proceeds of $1,660,749. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase an additional common share at a price of $1.00 until December 19, 2013 or December 21, 2013. The full value of these units is attributed to the value of the common shares. An additional 139,245 agent's warrants were issued as part of this private placement with a fair value of $28,763. Each agent's warrant entitles the holder to purchase one common share at a price of $1.00 per common share until December 19, 2013 or December 21, 2013. Transaction costs for the private placements, which include the fair value of agent's warrants, cash commissions, and legal and other fees, totalled $139,627 of which $136,902 was recorded in 2012 and $2,275 in the three months ended March 31, 2013.

During the three months ended March 31, 2013, the Company issued 53,250 common shares on the exercise of stock options. Cash proceeds from the exercise of these options were $37,276 and an additional $18,875 in fair value attributed to these options at the time of grant was reclassified from equity reserves to share capital.

Performance shares

In 2011 and 2012, the Company has ratified the issuance of a total of 900,000 of its common shares in a series of tranches to certain officers of the Company upon meeting various milestones for the development of the Gibellini Property. In 2011, the first milestone was met and 75,000 of these shares, valued at $78,750, were issued and an additional 100,000 of these shares, valued at $70,000, were issued in 2012. The performance conditions for the issuance of the remaining 725,000 performance shares are discussed in Note 12.

During 2012, the Company's Board of Directors and its shareholders approved the issuance of up to 2,700,000 of its common shares to certain officers and directors, or to companies related to them. These shares are issuable in tranches upon completion of various milestones related to the development of the Gibellini Property or other strategic achievements. As at March 31, 2013, the agreements have not been finalized or submitted for approval by the Exchange.

Warrants

Changes to the balance of warrants outstanding are as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Life
		$	$	(Years)
Outstanding, January 1, 2012	2,353,400	1.92	0.28	
Warrants expired	(1,602,983)	1.88	0.07	
Warrants issued as part of common share units	2,890,425	1.00	0.08	
Warrants issued as agent's and finder's fees	139,245	1.00	0.21	
Outstanding, December 31, 2012	3,780,087	1.20	0.21	
Warrants expired	(750,417)	2.00	0.71	
Outstanding, March 31, 2013	**3,029,670**	**1.00**	**0.08**	**0.84**

The fair value of warrants included in common share units is determined as the excess in the value of the unit over the market price of the Company's common shares on the date the units are issued.

The fair value of agent's and finder's warrants issued on a stand-alone basis is determined using the Black-Scholes option pricing model.

The following warrants were outstanding and exercisable as at March 31, 2013:

Expiry date	Exercise Price	Number of Warrants Outstanding and Exercisable
	$	
December 19, 2013	1.00	1,349,206
December 21, 2013	1.00	67,537
March 12, 2014	1.00	1,612,927
		3,029,670

Stock options

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Stock Options	**Weighted Average Exercise Price**	**Weighted Average Fair Value**	**Weighted Average Remaining Life**
		$	**$**	**(Years)**
Outstanding, January 1, 2012	2,325,500	0.88	0.64	
Options granted	665,000	0.73	0.37	
Options exercised	(200,000)	0.35	0.26	
Options cancelled or forfeited	(235,000)	1.29	0.94	
Outstanding, December 31, 2012	2,555,500	0.84	0.58	
Options granted	30,000	0.90	0.51	
Options expired	(138,000)	1.30	0.89	
Options exercised	(53,250)	0.70	0.36	
Options cancelled or forfeited	(50,000)	1.00	0.74	
Outstanding, March 31, 2013	**2,344,250**	**0.81**	**0.56**	**2.89**

Stock option transactions and the number of stock options outstanding are summarized as follows:

The fair values of the stock options granted during the three months ended March 31, 2013 and the year ended December 31, 2012 have been estimated using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for these options are as follows:

	Three Months Ended March 31, 2012	Year Ended December 31, 2012
Risk-free interest rate	**1.27 %**	1.09 %
Annual dividends	**-**	-
Expected stock price volatility	**85.78%**	85.79%
Expected forfeiture rate	**19.39%**	20.31%
Expected life	**2.88 years**	2.55 years

The following incentive stock options were outstanding and exercisable at March 31, 2013:

Expiry date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
	$		
January 21, 2015	0.35	687,500	687,500
April 1, 2015	0.75	40,000	40,000
August 18, 2015	0.75	50,000	50,000
November 2, 2015	0.70	275,000	275,000
December 13, 2015	1.00	10,000	10,000
December 29, 2015	1.05	15,000	15,000
December 31, 2015	1.14	50,000	50,000
February 7, 2016	1.56	100,000	100,000
March 7, 2016	1.50	25,000	25,000
March 23, 2016	1.53	300,000	300,000
July 19, 2016	1.34	100,000	100,000
August 2, 2016	1.25	50,000	50,000
February 6, 2017	0.77	65,000	65,000
April 3, 2017	0.70	100,000	100,000
April 12, 2017	0.74	50,000	50,000
May 31, 2017	0.70	96,750	96,750
June 15, 2017	0.74	300,000	300,000
January 7, 2018	0.90	30,000	7,500
		2,344,250	**2,321,750**

7. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2013, a $19,500 (2012 - $19,500) expense was recorded for office facilities, corporate and administrative services provided by a company jointly controlled by a director of the Company, of which $15,823 (December 31, 2012 - $27,605) is included in accounts payable and accrued liabilities.

During the three months ended March 31, 2013, a $45,000 expense (2012 - $45,000) was recorded for consulting services provided by a company jointly controlled by a director of the Company.

Included in prepaid expenses as at March 31, 2013 is $10,000 (December 31, 2012 - $10,000) advanced to the Chief Executive Officer of the Company for corporate expenses to be incurred on the Company's behalf. Included in accounts payable and accrued liabilities is a total of $21,765 (December 31, 2012 - $10,186) owing to this officer.

Included in accounts payable and accrued liabilities as at March 31, 2013 is a total of $13,297 (December 31, 2012 - $21,453) owing to the Executive VP, Operations; and $1,784 (December 31, 2012 - $4,343) owing to the Vice President, Environmental.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. Geographical information is as follows:

	Net Comprehensive Loss	
Three Months Ended	**March 31, 2013**	March 31, 2012
	$	$
Canada	**399,518**	603,948
United States	**1,028,027**	1,498,071
Total net comprehensive loss	**1,427,545**	2,102,019

	Total Assets as at	
	March 31 2013	December 31 2012
	$	$
Canada	**1,066,287**	1,732,367
United States	**2,990,430**	2,916,519
Total assets	**4,056,717**	4,648,886

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at March 31, 2013, the Company's financial instruments are comprised of cash, restricted cash, amounts receivable, reclamation deposits and accounts payable and accrued liabilities. With the exception of cash and restricted cash, all financial instruments held by the Company are measured at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term maturities. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values.

The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Cash	48,555	-	-
Restricted cash	920,000	-	-
Total	968,555	-	-

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

A portion of the Company's expenses are incurred in United States dollars and financial instrument balances are held in this currency. A significant change in the currency exchange rates between the Canadian dollar relative to the United States dollar could have a negative effect on the Company's results of operations, financial position or cash flows.

The Company has not hedged its exposure to currency fluctuations and, as at March 31, 2013, the Company held $18,858 (December 31, 2012- $133,507) in United States dollars. A prolonged $0.10 increase (decrease) in the value of the Canadian dollar compared with the United States dollar would result in a $1,859 foreign exchange loss (gain) based on United States dollar holdings as at March 31, 2013.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company requires additional financing to fund its existing financial obligations. Although, the Company has successfully accessed capital markets to fund its operations to date and management believes such sources remain available to the Company in the future, there is no assurance that such financing will be available to the Company on favourable terms.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in short-term interest bearing accounts which pay relatively low rates of interest, the Company considers the interest rate risk to be limited.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and will attempt to raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2013. The Company is not subject to externally imposed capital requirements.

11. LOSS PER SHARE

The numerators and denominators of basic and diluted loss per share for the three months ended March 31, 2013 and three months ended March 31, 2012 are as follows:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net loss - numerator	**$(1,427,545)**	$(2,102,019)
Basic and diluted weighted average number of common shares outstanding - denominator	**33,567,442**	27,443,397
Basic and diluted loss per share	**$(0.04)**	$(0.08)

The Company incurred net losses for all periods reported, so no dilutive impact of in-the-money stock options and warrants has been included in the calculation of diluted weighted average number of common shares outstanding.

12. COMMITMENTS AND CONTINGENCIES

The Company is committed to the following expenditures:

Nature of payment	**Remainder of 2013**	**2014**	**2015**	**2016**	**2017**
Engineering management[1]	US$904,237	-	-	-	-
Mineral rights[2]	US$114,000	US$144,000	US$144,000	US$144,000	US$144,000
Water rights[3]	US$125,000	US$234,273	US$237,551	US$240,927	US$244,405
Office lease	Cdn$105,612	Cdn$140,816	Cdn$140,816	Cdn$140,816	-

1. As described in Note 5, the Company has commenced a basic engineering phase under a mine engineering, procurement and construction management agreement, as well as design agreement for a borrow pit and electrolyte process. The Company considers that it is contractually committed for the full quoted amounts of these agreements.
2. As described in Note 5, the Company makes NSR prepayments in order to acquire and maintain mineral rights to its properties. To maintain certain of its properties in good standing, the Company is required to continue making these payments. While not contractually committed to further payments, the Company considers these to be constructive commitments.
3. As described in Note 5, the Company makes annual rental payments to maintain water rights for its properties. While not contractually committed to further payments, the Company considers these to be constructive commitments.

As discussed in Note 6, up to 725,000 of the Company's shares are issuable upon meeting various milestones for the development of the Gibellini property and for achieving certain strategic objectives. Although the timing and number of shares that will be issued under this arrangement is unknown, and certain specific milestones are at the discretion of the Company's Board of Directors, the issuance of these shares is contingent on the following events:

Contingent Event	**Number of Shares Issuable[1]**
Project permitting for the Gibellini property	175,000
Design and construction of mine leach pad on the Gibellini property	200,000
Economic production of the Gibellini property	350,000

1. An additional 2,700,000 of the Company's common shares have been approved by the Company's Board of Directors and its shareholders, but agreements have not been finalized or submitted to the Exchange for approval.

As the events that would result in the issuance of these shares have not occurred, no provision for their payment has been recorded.

13. EVENTS AFTER THE REPORTING PERIOD

In April 2013, the Company closed a private placement of 1,607,698 units at a price of $0.70 per unit for gross proceeds of $1,125,388. Each unit consists of one common share and one half of a purchase warrant. Each whole warrant is exercisable at $1.20 per share until April 11, 2014. As at March 31, 2013, the Company had received $920,000 for subscription receipts related to the private placement, which was classified as restricted cash, with an off-setting liability pending the completion of the private placement. Following completion of the private placement, all restrictions were lifted on the proceeds.

In May 2013, the Company entered into an agreement with a consultant whereby 60,000 of the Company's common shares will be issued on the completion of certain business development and planning milestones.